



California State Association of Counties

**Testimony of Supervisor Barbara Kondylis, Solano County
Vice Chair of the California State Association of Counties (CSAC) Health
and Human Services Policy Committee**

**California Performance Review Commission
Hearing on Health and Human Services**

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San Diego, California**

Good morning. My name is Barbara Kondylis. I am a county supervisor in Solano County and am testifying today on behalf of the California State Association of Counties (CSAC). I serve as the vice chair of the CSAC Health and Human Services Policy Committee and Chair of the CSAC Family Violence Task Force.

Thank you very much for the opportunity to appear before you today and provide the counties' perspective on the CPR. Counties are very supportive of a more efficient and effective delivery system for health and human services.

CSAC is undertaking a comprehensive approach in reviewing the CPR. Each of CSAC's six policy committees will review the report and make recommendations to CSAC's Board of Directors. This process is just getting underway within the association. As such, CSAC does not have formal positions or recommendations. However, we are in position to provide our initial reactions and suggestions based on our existing policies.

California is just one of approximately a dozen states where counties administer and deliver health and human services as an agent of the state. I would like to emphasize that the county-based model used in California is not the norm nationally. California counties provide a huge array of health and human services to the residents of this state. Counties provide substance abuse services; mental

health services; welfare services; child and adult protective services; health care to the indigent; in-home services for the aged, blind and disabled; child support collection services; and emergency medical services. In many cases counties directly provide the types of services that I have mentioned. Additionally, fifteen counties own and operate twenty hospitals statewide. Numerous counties operate clinic systems and are direct providers of Medi-Cal services.

Many of the recommendations in the CPR would undoubtedly impact service delivery at the county level. I will begin my direct comments on the CPR by first discussing the reorganization and then will touch upon our initial reactions and suggestions to some of the policy recommendations.

Reorganization

I must begin my comments on the reorganization by praising the Commission for the recommendation that an Office of Intergovernmental Affairs be established within the Governor's Office. CSAC appreciates the recognition that counties do indeed have a unique relationship with the state that needs to be formalized in the state's structure.

CSAC has not completed a detailed analysis of the health and human services reorganization and how it may affect California counties. However, one point that I must underscore is that whatever structure that health and human services agency takes at the state level, it must provide for a formalized relationship with county government. Counties are partners with the state in delivering health and human services programs. Any reorganization must reinforce this. It is very important that the relationship between the state and the counties allow for open and direct communication; therefore, the organizational structure must accommodate this. Whatever the governance structure at the state level, it should institutionalize the unique partnership with counties.

Policy Recommendations

I will now provide remarks on two of the policy recommendations: the realignment proposal and the proposal to transform eligibility processing.

Realignment

Counties are very willing to have a discussion with the state about another realignment of programs. We concur with the recommendation that the Governor convene a working group on this issue; CSAC will participate in any workgroup convened by the Administration on realignment. We view the proposal in CPR as a good starting point for a discussion of realigning state and county responsibilities. However, many details will be very important in crafting a workable realignment scheme.

The first realignment was negotiated over a number of months and involved a tremendous amount of work. Mental health statutes were completely re-written. Complex formulas were developed and negotiated. It is critical to spend a great deal of time developing sufficient funding sources and policy changes. Realignment is not something undertaken lightly and will require the buy-in and effort of all involved – the counties, the Administration, the Legislature, providers, recipients, and other stakeholders. I must emphasize that realigning state and county responsibilities is a huge undertaking. Technical issues will be very important to resolve.

When then-Governor Davis proposed a second realignment in the 2003-04 budget, counties spent a good deal of time meeting on his proposal. The first action that CSAC took was to develop a set of principles to guide counties in the case of another realignment.

These principles have been submitted with my testimony. I would underscore the following points about any realignment of state and county responsibilities:

Revenues must be adequate. The revenues provided in the base year for each program must be at least as great as the expenditures for each program transferred and as great as expenditures would have been absent Realignment. Revenues in the base year and future years must cover both direct and indirect costs.

Revenue Source. The designated revenue sources provided for program transfers must be levied statewide and allocated on the basis of programs transferred; the designated revenue source(s) should not require a local vote. The state must not divert any federal revenue that it currently allocates to realigned programs.

Local Control and Flexibility. For discretionary programs, counties must have the maximum flexibility to manage the realigned programs within the revenue base made available, including flexibility to transfer funds between programs. For entitlement programs, counties must have maximum flexibility over the design of service delivery and administration, to the extent allowable under federal law.

Our initial analysis reveals a number of technical questions about the realignment proposal.

Medically Indigent Adults: How was the spending calculated for the medically indigent costs? What sources were used to calculate the \$1.5 billion? Counties must continue to receive adequate revenues for our public health responsibilities. Additionally, it must be pointed out that the Section 17,000 requirement on counties is not synonymous with the Medically Indigent Adults program, which was transferred back to counties in 1982. Transferring MIA's back to the state without fully relieving counties of responsibility for the indigent health care component of Section 17,000 could result in counties still incurring significant cost in this area.

Mental Health: It is unclear from the narrative what the scope of the mental health transfer is that is being proposed. Would counties be responsible for all of Medi-Cal managed care? Would counties be responsible for state mental hospitals? What, if any, statutory changes are envisioned? Currently, counties can opt-out of being the mental health plan for Medi-Cal managed care. How will the realignment proposal impact this option?

Child Welfare Services: At what funding level would the program be realigned to counties? How do you align program authority in a way that allows for maximum control, commensurate with the local funding responsibility? The federal government requires a single statewide agency and “statewideness” in implementing program rules. There needs to be further discussion about how federal rules would work if the counties are fully responsible for funding, and what the state’s role with the program would be.

None of the technical questions I mention are insurmountable obstacles. However, they will require a great deal of policy and fiscal discussion and some creativity.

Transforming Eligibility Processing

Counties believe it is in our, as well as the state’s, interests to administer health and human services programs as efficiently and effectively as possible. The less money that is spent on administrative activities, the more that can be dedicated to services.

CSAC has supported efforts to simplify administration of many health and human services programs, including Medi-Cal, CalWORKs, and Food Stamps. These programs are very complex to administer and to even explain to those applying for assistance.

CSAC's analysis of the CPR proposal to centralize eligibility for Medi-Cal, CalWORKs, and Food Stamps, reveals that the proposal is incomplete. While the proposal points out a number of problems with the current administration of these programs, it does not provide any analysis of the reasons for these problems. In order to streamline eligibility processing, we believe that you must begin with an analysis of why the programs are so difficult to administer.

There are a number of reasons why these programs are difficult to administer. Program rules and eligibility are complex. The Medi-Cal program is almost 40 years old; there are 40 years of regulation and statute layered on top of each other. The Medi-Cal program has 160 aid codes, which essentially function as individual programs. It is unfair to compare Healthy Families and Medi-Cal eligibility processing because these are two very different programs with very different eligibility criteria.

With that in mind, CSAC believes that the discussion around eligibility should be re-framed to first examine what makes eligibility determinations so difficult. The state should review state and federal law and determine where program simplifications can be made. CSAC has supported and continues to support efforts to simplify the Medi-Cal program. We believe that program simplification will decrease the costs of program administration and increase program efficiency. If there are ways to simplify eligibility determinations, all efforts should be made accomplish this goal.

Counties' first concern is not WHO administers the program, but making the eligibility process easier – for counties and for applicants.

Again, CSAC would also identify a couple of technical questions and concerns with the proposal. CSAC is concerned that there may be unintended consequences with separating CalWORKs eligibility from CalWORKs services. Having to communicate with a third party outside the county to find out if

CalWORKs applicants are eligible may create problems at the county level. Any miscommunications could result in wasted resources. For example, if the eligibility entity does not notify counties in a timely manner of ineligibility, counties could provide services to ineligible for a prolonged period of time. CalWORKs resources are stretched very thin right now. Counties want to ensure that any proposal in the CPR does not jeopardize any of the limited resources we currently have for these programs.

In closing, on behalf of CSAC, I would like to thank all those involved in the California Performance Review. This is a very ambitious effort, and we, too, are interested in a more efficient and effective government delivery system. We look forward to working with the Administration, the Legislature, and other stakeholders on improving health and human services systems for all Californians.

CSAC Realignment Principles 2003-04

Counties have agreed that any proposed realignment of programs should be subject to the following principles:

- 1. Revenue Adequacy.** The revenues provided in the base year for each program must be at least as great as the expenditures for each program transferred and as great as expenditures would have been absent Realignment. Revenues in the base year and future years must cover both direct and indirect costs. A hold harmless protection must be included to ensure that a county's share of costs must not exceed the amount of realigned and federal revenue that it receives for the program. The state shall bear the financial responsibility for any costs in excess of realigned and federal revenues. There must be a mechanism to protect against entitlement program costs consuming non-entitlement program funding.
- 2. Revenue Source.** The designated revenue sources provided for program transfers must be levied statewide and allocated on the basis of programs transferred; the designated revenue source(s) should not require a local vote. The state must not divert any federal revenue that it currently allocates to realigned programs.
- 3. Constitutional Protection.** There must be constitutional protection against requiring individual counties to bear costs for realigned programs in excess of the amount of realigned revenue they receive, including the cost of federal penalties and sanctions.
- 4. Local Control and Flexibility.** For discretionary programs, counties must have the maximum flexibility to manage the realigned programs within the revenue base made available, including flexibility to transfer funds between programs. For entitlement programs, counties must have maximum flexibility over the design of service delivery and administration, to the extent allowable under federal law.
- 5. Federal Maintenance of Effort.** Federal maintenance of effort requirements, as well as federal penalties and sanctions, must remain the responsibility of the state.
- 6. Reversion Clause.** In the event that revenues fail to meet program expenditures, then all programs and revenues shall revert back to the state.